# GOVERNMENT OF INDIA
# LABOUR AND EMPLOYMENT
# LOK SABHA

STARRED QUESTION NO:217
ANSWERED ON:14.12.2015
Investment of Funds under EPF
Maragatham Smt. K.;Mohan Shri P. C.

**Will the Minister of LABOUR AND EMPLOYMENT be pleased to state:**

(a)whether the Government proposes to raise investment limit of pension funds and also mandate the Employees" Provident Fund Organisation (EPFO) to invest upto five per cent of its incremental corpus in exchange traded funds/stock market and if so, the details thereof;
(b)whether this decision of the Government has been vehemently opposed by labour unions and if so, the reasons therefor and the reaction of the Government thereto;
(c)the amount earmarked to be invested and the precautions being taken to secure the interests of the employees due to volatile nature of the stock market;
(d)whether the dividends, if available through such investment, may likely to add to the accounts of beneficiaries and if so, the details thereof; and
(e)whether the Government proposes to introduce National e-payment gateway for collection of PF contribution and if so, the details thereof and whether the yearly audit report of the EPFO is also to be available to the employees and the public as well and if so, the details thereof?

## Answer

MINISTER OF STATE (IC) FOR LABOUR AND EMPLOYMENT
(SHRI BANDARU DATTATREYA)

(a) to (e): A statement is laid on the Table of the House.

* ********

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO. 217 TO BE ANSWERED ON 14.12.2015 BY SHRIMATI K. MARAGATHAM AND SHRI P.C. MOHAN REGARDING INVESTMENT OF FUNDS UNDER EPF.

(a) The Government has, vide Notification dated 2nd March, 2015, revised the Investment Pattern (IP) to be followed by Non-Government Provident Funds, Superannuation Funds and Gratuity Funds. The revised IP allows, inter-alia, investment in 'Equities and Related Investments' for a minimum of 5 per cent and maximum upto 15 per cent. The revised IP has been made effective from 1st April, 2015. Currently, there is no proposal to increase the said limit in "Equities and Related Investments'.

The Central Board of Trustees (CBT), Employees' Provident Fund (EPF) has decided to invest 5 per cent of its total investment in Exchange Traded Fund (ETF) during this Financial Year.

(b) Some of the trade unions have opposed the move. However, the proposal was discussed and approved by the CBT, EPF, a tripartite body of employees', employers' and Government representatives in its meeting held on 31.03.2015.
(c) As per the decision of the CBT, EPF, investment of 5 per cent of its fresh increment will be invested in Exchange Traded Fund (Rs.5,000/- crore approximately) in this financial year.
ETF as an instrument would be least affected by market fluctuations. The volatility would be minimal in comparison to individual stocks. Employees' Provident Fund Organisation (EPFO) is in the process of creating an Equity Income Stabilisation Reserve (EISR) for recognition of income and distribution of profit from earning on the investment made in equity and related instruments. These measures would minimize volatility in terms of interest being paid to beneficiaries.

(d) The dividend yield becomes part of the net asset value of the ETF and is, therefore, added to the accounts of Employees' Provident Fund (EPF) of the employees.

(e) No proposal to introduce National e-payment gateway for collection of PF contribution is under consideration at present. Audit Report of EPFO is placed before the Parliament and, therefore, is a public document.
********